

**REPORT OF THE AUDIT OF THE  
DAVIESS COUNTY  
CLERK**

**For The Year Ended  
December 31, 2005**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE DAVIESS COUNTY CLERK**

**For The Year Ended  
December 31, 2005**

The Auditor of Public Accounts has completed the Daviess County Clerk's audit for the year ended December 31, 2005. Based upon the audit work performed, the financial statements present fairly in all material respects, the revenues and expenditures of the County Clerk and the revenues, expenditures, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer in conformity with the regulatory basis of accounting.

#### **Financial Condition:**

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected are deposited in a County Clerk's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected are deposited to the county government fund and paid quarterly to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

The Daviess County Clerk had total revenues of \$19,050,636, which was a \$556,728 decrease from the prior year. Except for reimbursed expenditures in the amount of \$153,888, the clerk paid 25% of revenues to the Daviess County Fiscal Court in the amount of \$427,863. This was a decrease of \$5,266 from the prior year. In addition, expenditures decreased by \$482,683.

#### **Deposits:**

The County Clerk's deposits were insured and collateralized by bank securities.



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CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Louis Reid Haire, Daviess County Judge/Executive  
Honorable J. Michael Libs, Daviess County Clerk  
Members of the Daviess County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues and expenditures - regulatory basis of the County Clerk of Daviess County, Kentucky, and the statement of revenues, expenditures, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer - regulatory basis for the year ended December 31, 2005. These financial statements are the responsibility of the County Clerk. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk prepares the financial statements on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the revenues and expenditures of the County Clerk, and the revenues, expenditures, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer for the year ended December 31, 2005, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated October 19, 2006 on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Louis Reid Haire, Daviess County Judge/Executive  
Honorable J. Michael Libs, Daviess County Clerk  
Members of the Daviess County Fiscal Court

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Daviess County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
October 19, 2006



DAVIESS COUNTY  
J. MICHAEL LIBS, COUNTY CLERK  
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS

For The Year Ended December 31, 2005

Revenues

State Fees For Services		\$	39,541
Fiscal Court			24,172
Licenses, Fees, and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	2,340,441	
Usage Tax		8,315,230	
Tangible Personal Property Tax		6,498,844	
Lien Calls and Fees		18,681	
Title Preparation, Notary, and Affidavit Fees		73,834	
Other-			
Fish and Game Licenses		8,122	
Marriage Licenses		26,427	
Occupational Licenses		526	
Beer and Liquor Licenses		4,550	
Deed Transfer Tax		361,375	
Delinquent Taxes		690,251	18,338,281
Fees Collected for Services:			
Recordings-			
Deeds, Easements, and Contracts		59,037	
Real Estate Mortgages		187,455	
Chattel Mortgages and Financing Statements		239,758	
Powers of Attorney		6,392	
All Other Recordings		109,958	
Charges for Other Services-			
Copywork		22,930	
Postage		13,774	
Fax and Miscellaneous		1,621	640,925
Other:			
Miscellaneous			4,013
Interest Earned			3,704
Total Revenues			19,050,636

The accompanying notes are an integral part of the financial statements.

DAVIESS COUNTY  
J. MICHAEL LIBS, COUNTY CLERK  
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS  
For The Year Ended December 31, 2005  
(Continued)

Expenditures

Payments to State:

Motor Vehicle-

Licenses and Transfers \$ 1,809,996

Usage Tax 8,065,767

Tangible Personal Property Tax 2,101,694

Licenses, Taxes, and Fees-

Fish and Game Licenses 7,833

Delinquent Tax 98,768

Legal Process Tax 75,187 \$ 12,159,245

Payments to Fiscal Court:

Tangible Personal Property Tax 753,870

Delinquent Tax 82,694

Deed Transfer Tax 343,306

Occupational Licenses 339

Beer and Liquor Licenses 4,246 1,184,455

Payments to Other Districts:

Tangible Personal Property Tax 3,385,274

Delinquent Tax 336,850 3,722,124

Payments to Sheriff

16,601

Payments to County Attorney

102,433

Operating Expenditures:

Other Charges-

Miscellaneous 437

Total Expenditures

\$ 17,185,295

Net Revenues

1,865,341

Payments to State Treasurer:

75% Operating Fund 1,437,478

25% County Fund 427,863 1,865,341

Balance Due at Completion of Audit

\$ 0

The accompanying notes are an integral part of the financial statements.

DAVIESS COUNTY  
J. MICHAEL LIBS, COUNTY CLERK  
STATEMENT OF REVENUES, EXPENDITURES, AND  
FUND BALANCES OF THE COUNTY CLERK'S OPERATING FUND  
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS

For The Year Ended December 31, 2005

	75% Operating Fund	25% County Fund	Totals
Fund Balance - January 1, 2005	\$ 259,592	\$	\$ 259,592
<u>Revenues</u>			
Fees Paid to State - Operating Funds (75%)	1,437,478		1,437,478
Fees Paid to State - County Funds (25%)		427,863	427,863
Total Funds Available	1,697,070	427,863	2,124,933
<u>Expenditures</u>			
Daviess County Government		427,863	427,863
Personnel Services-			
County Clerk's Salary	91,024		91,024
County Clerk's Expense Allowance	3,600		3,600
Deputies' Salaries	855,011		855,011
Training Incentives	2,395		2,395
Employee Benefits-			
Employer's Share Social Security	68,917		68,917
Employer's Share Retirement	89,979		89,979
Employer's Paid Health Insurance	177,182		177,182
Unemployment Insurance	1,703		1,703
Contracted Services-			
Liability Insurance and Bond	13,886		13,886
Equipment Maintenance	4,318		4,318
Materials and Supplies-			
Recording Books and Supplies	12,837		12,837
Office Supplies	22,426		22,426
Imaging and Indexing Records	12,891		12,891
Other Charges-			
Dues	2,800		2,800
Travel	14,303		14,303

The accompanying notes are an integral part of the financial statements.

DAVIESS COUNTY  
 J. MICHAEL LIBS, COUNTY CLERK  
 STATEMENT OF REVENUES, EXPENDITURES, AND  
 FUND BALANCES OF THE COUNTY CLERK'S OPERATING FUND  
 AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS  
 For The Year Ended December 31, 2005  
 (Continued)

	75% Operating Fund	25% County Fund	Totals
<u>Expenditures</u> (Continued)			
Other Charges- (Continued)			
Equipment Rental	\$ 8,861	\$	\$ 8,861
Parking	8,580		8,580
Conventions and Conferences	3,840		3,840
Telephone	5,074		5,074
Postage	2,535		2,535
County Clerk Literature	2,952		2,952
Miscellaneous	1,449		1,449
Auto Expenses-			
Gasoline and Maintenance	7		7
Capital Outlay-			
Office Equipment	26,486		26,486
Debt Service-			
Vehicle Lease	145		145
Total Expenditures	1,433,201	427,863	1,861,064
Fund Balance - December 31, 2005	\$ 263,869	\$ 0	\$ 263,869

The accompanying notes are an integral part of the financial statements.

DAVIESS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount due from the County Clerk as determined by the audit.

KRS 64.350 establishes that a fee official in counties with a population over 70,000 has two funds with the State Treasurer for the deposit of fees collected. Seventy-five percent (75%) of the fees collected is deposited in a County Clerk's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected is deposited to the county fiscal court fund and paid to the fiscal courts, urban-county governments, or consolidated local governments of the respective counties quarterly no later than April 15, July 15, October 15, and January 15. These funds are closed at the end of each official term by paying the balances to the respective county government.

The financial statements have been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31:

- Interest receivable
- Collection on accounts due from others for 2005 services
- Reimbursements for 2005 activities
- Payments due other governmental entities for December tax and fee collections
- Payroll expenditures incurred but not paid
- Payments due vendors for goods or services provided in 2005

The Attorney General issued a letter which stated that some revenues of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are treated as revenue in the 75 percent fund.

DAVISS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2005  
(Continued)

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.48 percent for the first six months and 10.98 percent for the last six months of the year. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 22.08 percent for the first six months and 25.01 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

DAVIESS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2005  
(Continued)

Note 3. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County Clerk's deposits may not be returned. The County Clerk does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240(4). As of December 31, 2005, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Grant

The County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$18,871. During 2005, the Clerk earned \$55 in interest and transferred \$125 from an old local records microfilming grant account. Funds totaling \$125 were expended during the year. The unexpended grant balance was \$18,926 as of December 31, 2005.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Louis Reid Haire, Daviess County Judge/Executive  
Honorable J. Michael Libs, Daviess County Clerk  
Members of the Daviess County Fiscal Court

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements - regulatory basis of the Daviess County Clerk for the year ended December 31, 2005, and have issued our report thereon dated October 19, 2006. The County Clerk's financial statements are prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Daviess County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Daviess County Clerk's financial statements as of December 31, 2005, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.



Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
October 19, 2006

